Outlook

18 March 2008

Mediwatch

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	PE (x)	Yield (%)
10/06	2.65	(0.95)	(0.99)	0.0	N/A	N/A
10/07	5.68	(0.13)	(0.10)	0.0	N/A	N/A
10/08e	10.00	0.80	0.63	0.0	14.9	N/A
10/09e	12.00	1.70	1.34	0.0	7.0	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items; 18-month trading period to October 2006.

Investment summary: Momentum builds

A fluctuating share price stems from the announcement of and subsequent cessation of takeover talks. More fundamentally, Mediwatch was profitable during the six months to October 2007 with the promise of further growth in the short and medium term. The rate of revenue expansion remains difficult to predict, but if management objectives can be delivered, the shares will prove distinctly undervalued.

In profit

Results for the year to October 2007 were slightly below expectations. Revenues built rapidly during the second half, but because of certain short term difficulties, revenues fell short of budget. Nevertheless, Mediwatch was profitable during the second half, before exceptional items and amortisation of intangibles, but after R&D expenditure continuing at a rate of up to c £0.6m per annum.

Revenues to build rapidly

A strong sales and marketing network was established during the year, especially in North America and other overseas territories. With the benefit of a unique one-stop shop product portfolio, the revenue momentum looks set to build quickly. The impact of operational gearing on this momentum should be sharply rising profits.

Need for working capital

Gearing at October 2007 was relatively modest at 15%. The planned sharp rises in revenues will put pressure on working capital ratios; we look for a first half cash outflow, which should hopefully be reversed as cash flow starts to build.

Valuation: Undervalued

Established medical equipment manufacturers tend to be valued on a PER in the high teens, to reflect a combination of their IP and the stability of global medical markets. If management targets can be delivered, the shares offer useful capital appreciation prospects over the medium term.

Price	9.4p
Market Cap	£12m

Share price graph

15
14
13
12
11
10
9
8
A M J J A S O N D J F M

Share details

Code	MDW
Listing	AIM
Sector	Healthcare
Shares in issue	130m

Price

52 week	High	Low
	14.0p	8.6p

Balance Sheet as at 31 October 2007

Debt/Equity (%)	15
NAV per share (p)	2.7
Net borrowings (£m)	0.5

Business

Mediwatch develops and distributes specialist equipment for the early detection of urological disorders. Following a major acquisition, there is a strong presence in the US.

Valuation

	2007	2008e	2009e
P/E Relative	N/A	122%	61%
P/CF	N/A	39.1	8.7
EV/Sales	2.2	1.2	0.9
ROE	N/A	19%	28%

Revenues by geography

UK	Europe	US	Other
14%	19%	56%	11%

Analyst

Nigel Harrison 020 7190 1755

nharrison@edisoninvestmentresearch.co.uk

Mediwatch is a research client of Edison Investment Research Limited

Investment summary: Momentum builds

Company description: Diagnosis of urological problems

Mediwatch designs and distributes a range of specialist medical equipment for the diagnosis of urological disorders. The group's potential was transformed in 2007, by the acquisition of the Urodynamics division of Medtronic, which helped establish a comprehensive product range and the opportunity to build a meaningful presence in the US. Mediwatch now has a sales team based in the US, plus a comprehensive agency network to handle sales in the rest of the world.

Valuation

Equipment development companies are always difficult to evaluate, because of the speed at which new products can be overtaken by new technologies, while management teams are invariably over optimistic about the timetable for bringing their products to market. Mediwatch is well past that initial stage and earned profits during the second half of last year. On the basis of our 2008/09 estimate its shares are valued at less than half the typical ratings in the high teens for established similar businesses. Meanwhile, there is a live possibility that a third party bidder may re-emerge.

Sensitivities

The key sensitivities continue to relate to the integration and development of the two businesses. Last year saw the first major growth in revenues: both the US sales team and the global agency network require careful management, while the decision to undertake more in-house assembly creates further management challenges. Moreover, the planned sharp rises in revenues planned for the next two to three years will require the establishment of robust working capital controls, to ensure effective management of group cash resources.

We see little sensitivity to the underlying level of economic activity. The products are designed to facilitate diagnostic procedures at relatively low cost by less technically skilled operators. Cost pressures on medical authorities should ensure consistently increasing demand for group products.

Financials

- Mediwatch was profitable during the second half of 2006/07; as revenues build, profits should move ahead sharply. We understand that our estimates are some way below internal budgets, but hope to take a more optimistic line as the year progresses.
- Gearing is modest at 15%. However, there will be a need for a substantial investment in working capital as revenues grow. There will be a cash outflow during H1 of the current year, but this should be reversed in H2 if revenues match internal expectations.

Exhibit 1: Estimate changes

Note: Figures in £m except per share data

	EPS			PBT			EBITDA		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
2007	0.10	(0.10)	N/A	0.13	(0.13)	N/A	0.29	(0.04)	N/A
2008e	0.85	0.63	(27)	1.08	0.80	(26)	1.24	0.98	(21)
2009e	N/A	1.34	N/A	N/A	1.70	N/A	N/A	1.84	N/A

Source: Edison Investment Research

Company description: Tackling urological disorders

Mediwatch designs and distributes a range of equipment for the rapid and accurate detection of urological disorders. The group focuses its design skills towards products that can be used by a comprehensive range of medical professionals, including both nurses and doctors. The focus is on a systems approach to diagnostics, offering one-stop systems to industry professionals.

Background

Mediwatch was established by its present chief executive in 1996, focusing on early screening in primary care. Group philosophy was to create and market products aimed at responding to the need for early diagnosis of a growing number of urology problems, notably prostate and bladder diseases. The business was reversed into the AIM-listed Prostcare plc in October 2000.

Progress has fallen behind early expectations in terms of both product development and the timing of revenue growth, but Mediwatch has been able to build up an impressive product portfolio, which was augmented in 2007 by the acquisition of the former Urodynamics Division of Medtronic.

Like many other businesses going through the product development and acceptance stage, it has had to undergo a number of fund-raising exercises with a series of equity issues (totalling around £8m), since the reverse. This has enabled the group to establish a comprehensive product range and build a global sales presence.

The product portfolio

The integration of the internally developed products with the portfolio acquired with the former Medtronic business establishes Mediwatch with a unique and fully comprehensive range. The group focuses on a system approach to diagnostics, able to supply a complete set of equipment to medical professionals.

There are three basic technology areas:

- Diagnostic ultrasound – is the use of ultrasonic and high frequency sound waves to produce images of the internal organs of the body specifically for diagnostic purposes. It is a painless, non-invasive imaging technique. While Mediwatch currently uses its ultrasound technology for the detection of urological disorders, it is adaptable to other diagnostic applications such as cardiology. There are three key products within this technology segment: Multiscan, Portascan+ and Bardscan; each has its own specific properties and has been progressively upgraded in specification in recent years.
- Urodynamics – is the investigation of the function and dysfunction of the lower urinary tract. Urodynamic studies involve the measurement of pressure, flow or electrical activity in the lower urinary tract. There are several current products in this segment ranging from the relatively simple, but carefully designed Portaflow self-contained urinal/commode measuring device through to complex computer controlled diagnostic systems offering touch-screen controls and print-out facilities.
- Point-of-care biochemistry – clinical tests utilise blood, body fluids or secretions in biochemical reactions to diagnose or monitor a variety of medical conditions. The principal product in this section is the recently introduced PSAwatch, which has the facility to

produces a rapid (<10 min) quantitative prostate-specific antigen (PSA) level result from a finger-prick blood or venous blood sample.

Prior to the acquisition of the former Medtronic business, there were virtually no sales of consumer type products associated with the equipment. Relationships with several suppliers have been established since the acquisition, including a three-year deal with leading US-based catheter manufacturer T-Doc. We expect such products to represent an increasing share of revenues over the next two to three years, rising to around 20% of sales.

One-stop systems

The acquisition of the former Medtronic business increased the versatility of the unique one-stop systems which the group had already developed. Mediwatch can now equip medical professionals with a full range of diagnostic equipment. The system for clinics tends to be based around the Multiscan product, including Bluetooth transmission linking each of the various functions, facilitating filing, the printing out of diagnoses and the writing of letters. There is a similar system for doctors' surgeries, built around the Portascan.

Management

Although there have been several senior management changes over the past 12 months, the Mediwatch team continues to offer an appropriate blend of ability and experience to take the group forward. Chief executive Philip Stimpson is a qualified electronics engineer, with extensive experience in the medical field in both the UK and North America, having set up, established and successfully sold on two medical products businesses.

Finance director Colin Kunz joined the group in May 2007. The rapid growth in revenues experienced last year and planned for the immediate future has necessitated the appointment of an experienced full-time director to this role. Other key executive appointments in 2007 were Colm Croskery and Chris Rollins. Colm brings a combination of financial and operational skills to the group; he undertakes a leading operational role, supporting the chief executive and managing the new manufacturing operation. Chris heads up the US business, overseeing rapid sales growth in an operation which has delivered profits on a monthly basis from its outset in early 2007.

The non-executive content of the board is also appropriately qualified, including two medical research specialists: Omer Karim (Chairman) is a consultant urological surgeon based in the UK, but with strong links in the US and a Fellow of the globally recognised Brady Urological Institute at the Johns Hopkins Hospital in Baltimore; Mark Emberton is a senior lecturer in urology and nephrology at University College London, and has written a number of important papers on the subject. Dr Wang Chong has 17 years' experience in the healthcare industry, having served on the boards of several healthcare companies, including Lipoxen. The most recent appointment was Charles Cattaneo, who brings the benefit of more than 20 years' corporate finance experience to board deliberations; he was the group's principal adviser on its acquisition of the former Medtronic Urology division.

Sales and marketing

There has been a major investment in building the group's sales and marketing effort over the past 12 months. From a marketing point of view, the two medical research specialists on the board

have attended and presented at a number of high profile conferences over the past year. There have been events in North America, North Africa, Europe and the Middle East, all of which have provided exposure for the group product range to a comprehensive range of professional potential customers.

More significantly, Mediwatch has built on the sales relationships introduced through Medtronic. The planned major direct sales presence in the US has been established. From a base in Florida, the group has recruited a team of five regional managers and 25 technical sales engineers to service the market. There is a customer base of 3,000, with ambitious internal growth targets. Meanwhile, the group has established a global agency network, comprising some 70 operators. These include a number of leading global distributors, including C R Bard International and M C Medical, a division of Mitsubishi. Through this agency network Mediwatch has access to a further 3,000 potential customers.

Manufacturing

Product availability represented one of the major problems of 2007. Several new suppliers introduced through Medtronic have either struggled to match expectations in terms of either quality or meeting delivery schedules, while the group's own long-standing supplier has also been unable to raise production satisfactorily.

Several new suppliers have been appointed, but more significantly, the assembly of certain key products transferred in-house. The initial feedback is encouraging with costs reduced and reliability improved. We understand that the in-house production unit will be progressively expanded over the coming months.

Research and development

R&D remains fundamental over the medium and longer term, with investment currently running at some £0.5m per annum. It has been group policy to write off expenditure as incurred. Over the past two years, expenditure has been focused on upgrading existing products and integrating the former Medtronic technology. Management has indicated that the emphasis of expenditure will be focused evolution and development of new applications for the enlarged range of products.

Results for the year to October 2007

The fundamental message from the preliminary results announcement was that Mediwatch was profitable during the second half of 2006/07, after R&D expenditure. While the final numbers were below our best expectations, there were several challenges to be overcome in the aftermath of the major acquisition from Medtronic. These are reported to have been successfully tackled, with management looking forward with a fair degree of optimism.

Profitable trading

As anticipated, Mediwatch was profitable during the six months to October 2007, after R&D expenditure, but before goodwill amortisation and exceptional items. Integration of the major acquisition from Medtronic proved more difficult than originally expected, but with momentum starting to build, the group has now achieved sufficient critical mass.

The above table outlines the progress over the past two years. The original Mediwatch product range required significant ongoing investment to be ready for the market, and then the underlying marketing cost-base was built up as management prepared for the major push on sales, leading to a rise in operating losses. We had been hoping that the sales momentum would pick up rapidly, once the Medtronic deal was completed, but there were several hurdles to be overcome before these early expectations were realised

Exhibit 2: Trading performance two years to October 2007

Note: Before amortisation, exceptional items and IFRS2 adjustments

Six months to	April 2006 £000s	October 2006 £000s	April 2007 £000s	October 2007 £000s
Turnover	979	830	1,829	3,855
Gross profit	358	277	645	1,882
Pre R&D operating profit (loss)	35	(77)	(116)	571
Operating profit (loss)	(222)	(356)	(387)	287
Pre-tax profit (loss)	(245)	(339)	(392)	266
Gross margins (%)	36.6	33.4	35.3	48.8
Pre R&D operating margins (%)	3.6	(8.8)	(6.3)	14.8
Operating margins (%)	(22.7)	(42.9)	(21.1)	7.4
Pre-tax margins (%)	(25.0)	(40.8)	(21.4)	6.9

Source: Mediwatch

Integration of former Medtronic business

It quickly became apparent that the integration of the former Medtronic business was going to provide greater challenges than had previously been expected. The rebranding of the products went largely to plan, as did the establishment of the US business as mentioned above. The selection of individuals to set up and build the North American sales force appears to have been managed effectively, but there were difficulties associated with inventory, which involved protracted discussions with the vendor and the introduction of a number of new disciplines.

Several areas required considerable management input:

- *Inventory profile* – the inventory held by Medtronic at the time of the acquisition bore limited relationship to demand levels. There were high stocks of slower moving items, while those in greatest demand had been run-down, leaving a need for rapid reordering of certain key items.
- *Supplier relationships* – it had been hoped that the former Medtronic suppliers would seamlessly transfer their allegiance to Mediwatch. Several demanded early payment, because of fears about a smaller business with which they had not worked previously. Others had assumed that the run-down of inventories by Medtronic meant that product would be sourced elsewhere and were slow to react.
- *Product quality* – the group's own supplier in the UK struggled to cope with the rapid rise in demand, while several new suppliers fell short of expectations. Action has been taken to remedy these difficulties, with the appointment of a small number of key suppliers, while the assembly of certain products has been transferred in-house.

- *Rebuilding distributor network* – the failure to meet deliveries has provided opportunities for competitors. The new US sales team is now fully established and rebuilding contacts, while the global agency network (see page 5) is starting to build relationships elsewhere, especially in Europe and Southeast Asia.

Positive trading outlook

It is difficult to assess the level of latent demand with any degree of accuracy. However, there are several pointers, which suggest that revenues could grow fast over the next two to three years.

- *Growth market* – the global urological products market is estimated by management currently to be worth some £350m–400m, split equally between equipment and consumables. With an ageing population in most countries and an apparent tendency in recent years not to target male urological problems, the market is believed by Mediwatch management now to be growing strongly at a minimum 8% per annum.
- *Installed product base* – a combination of the two sets of products comprises a comprehensive global product base spread across up to 6,000 customers. The hiatus during the merger meant that several of these contacts either became semi-dormant or became disenchanted because of poor product availability. Turnover of the former Medtronic products, including consumables, amounted to some £12m during 2004/05, equivalent to a current level of £15m allowing for subsequent inflation and the perceived growth in the market.
- *Comprehensive product range* – Mediwatch management has indicated that the group offers the most comprehensive range of diagnostic equipment available in the marketplace. The group targets the middle market, with equipment that can be operated by a range of healthcare professionals, including nurses. As the time of doctors and surgeons becomes more expensive, there should be a continuing trend towards the group's products. In particular, we see material potential from the point-of-care biochemistry product PSAwatch, which has attracted considerable interest in professional circles and will represent a large part of the planned revenue growth in the immediate future.

Internal budgets indicate significant growth in 2008 and 2009, as the impact of the newly recruited sales teams and agency customers respond to the opportunities as indicated above. We have set revenue targets of £10.0m for the current year to October 2008. The cost-base was raised sharply in the final weeks of 2006/07, with the appointment of certain key managers charged with delivering the growth. This new structure should be able to manage the planned growth in revenues, implying that further increases in overheads should be relatively modest for at least another 18 months to two years.

On the assumption that R&D expenditure continues at the levels of the past two years, there will, consequently, be a modest drop in interim pre-tax profits relative to the second half of 2006/07, but as operational gearing starts to kick in, returns should rise rapidly thereafter. We are targeting pre-tax profits (before exceptional items and IFRS2 adjustments) of at least £0.8m for the year to October 2008, split £0.2m/0.6m between the two half years.

We understand that this target is some way short of internal budgets, but operational gearing is such that an additional 10% on the revenue line would add around 50% to the bottom line. In this context, a 20% increase in revenues to £12m ought to be the minimum target for the following year to October 2009, which ought to enable management to more than double group pre-tax profits to £1.7m.

Exhibit 3: Trading outlook to October 2009

Note: Before amortisation, exceptional items and IFRS2 adjustments

Six months to	April 2008 £000s	October 2008 £000s	April 2009 £000s	October 2009 £000s
Turnover	4,400	5,600	5,850	6,150
Gross profit	2,000	2,600	2.750	2,900
Pre R&D operating profit (loss)	500	900	1.050	1,200
Operating profit (loss)	250	650	800	950
Pre-tax profit (loss)	200	600	750	950
Gross margins (%)	45.5	46.4	47.0	47.2
Pre R&D operating margins (%)	11.4	16.1	17.9	19.5
Operating margins (%)	5.7	11.6	13.7	15.4
Pre-tax margins (%)	4.5	10.7	12.8	15.4

Source: Edison estimates

Sensitivities

Twelve months ago, the main sensitivities related to whether the acquisition would work. To date it has proved to be a qualified success; we have already mentioned the various problems about the profile of inventories acquired and the various product procurement difficulties, but the group is now profitable, with the potential to lift profits to quite reasonable levels over the next two years.

Macro issues

The healthcare industry tends to be more vulnerable to political interference than to macro issues, especially in those countries where health services are largely in the public sector. Demand for equipment will reflect the availability of funds within the various health authorities, which are frequently the subject of political interference. On the other hand, experience shows that if there is a perceived need for a particular type of investment, the funds can usually be found, almost regardless of the state of the local economy.

Urological disorders are on a progressively rising trend, with an increasing awareness of prostate cancer as one of the main causes of early mortality among men. We believe demand for more user-friendly products will tend to rise as revenue costs take priority over capital costs in healthcare sector budgets.

Product development

There is a limit to which product developments can be protected by patents. Mediwatch is operating in a competitive market and cannot expect its competitors to look at its new products without trying to improve upon them. The ongoing R&D programme represents the best defence in

this respect, with Mediwatch constantly looking to upgrade the specification and performance of the existing portfolio. The timescale for securing FDA and CE approvals for new products does, however, provide added protection, raising the cost of entry for potential new competitors.

There are other factors, several of which have already been mentioned in this report:

- *Procurement* – the difficulties encountered over the past 12 months must be sorted quickly; customers expect delivery when indicated and will go elsewhere if Mediwatch fails to meet its commitments. Management has taken some assembly work in-house to ensure the necessary quality and delivery schedules; we understand that management is looking to extend in-house production in the coming months.
- *How strong are customer contacts?* – We are encouraged by the ability of the new US sales team to build revenues using its former Medtronic customer base. Targets involve further progress in this respect and, also rebuilding relationships with previous customers in Europe and the Far East.
- *Currencies* – a high proportion of revenues are currently being generated in the US. With a high proportion of costs in sterling, exchange movements can have considerable impact on operating margins and on the translation of US profits.
- *Cash control* – Mediwatch saw a big jump in revenues last year, which looks set to continue in the immediate future. This will involve a substantial investment in working capital and management needs to ensure that the necessary disciplines are in place.

Valuation

The recent announcement of takeover talks demonstrates the vulnerability of medical technology companies as they break through into profits. Meanwhile, the shares look undervalued on the basis of our estimates for the next two years. As previously indicated there are several hurdles to be negotiated before we can be confident of these targets, but the strategy is in place and there is an experienced management team in place to ensure delivery. The shares rose by 40% at the time of the takeover talks then reverted back to previous levels; the 14p peak level for share price at that time should be the absolute minimum price target in a takeover.

Earnings based calculation

On the basis of our current profit estimates for the years to October 2008 and 2009, Mediwatch shares are valued at c 15 times earnings, coming down to seven times. Established medical equipment manufacturers tend to command a rating in the high teens, to reflect the intellectual property in their product base and the anticipated consistent and growing market for the products.

Revenue based calculation

Many development businesses tend to be valued on a sales multiple. In our report last year we suggested that such a model is more appropriate to earlier stages of business development and becomes suspect when revenues start to flow rapidly. With an enterprise value equal almost exactly in line with our 2008/09 revenue estimate, the shares would appear distinctly undervalued on this basis.

Financials

Ambitious earnings targets

Mediwatch has achieved critical mass. After several years of promise, the group became profitable during the second half of last year. We had been hoping for a more dramatic improvement at the time of our report last year, but assessing the speed with which the transforming acquisition could be fully assimilated into the group was always going to be difficult.

Similarly, the targets which we have set for the current year and 2008/09 of turnover rising to £10m and £12.0m assume that the structural changes in product procurement and marketing are progressively more effective as the year progresses. We have tried to build a degree of conservatism into our targets, but with high gross margins, there is a fairly wide range for group pre-tax profits. We propose reviewing our £0.8m estimate as the group enters its closed season for the interim results at the end of April.

Need for strong cash management

Mediwatch has been cash absorbing in virtually every year since its inception. The main product development phase is now completed, although R&D expenditure will continue at in excess of £0.5m per annum in the immediate future. On the other hand, with the group becoming profitable, there will now be a cash flow to finance the rapidly expanding working capital requirement.

Inventories at October 2007 of £1.5m represented just under 20% of the second half rate of turnover, but the extent to which this figure was affected by the supply difficulties is difficult to predict and management is going to need to exercise tight controls to avoid debt rising to unacceptable levels. Debtors seem firmly under control and helped by the general high quality of the customer base.

The group raised £2.2m from the issue of equity in 2006 to help fund the acquisition. A net outflow in 2006/07 of £1.55m related to the planned rise in working capital and continuing investment in product development. At October 2007, there were net borrowings of £0.51m, equivalent to 15% of shareholders' funds. We expect to see an outflow during the first half of the current year as the group finances its growing working capital need, but we remain hopeful that the group will be largely cash neutral over the year as a whole if the projected further improvement in trading emerges during the second six months.

Takeover talks

Shortly before the results announcement, Mediwatch announced that it had entered takeover negotiations; these talks were fairly quickly concluded without any bid emerging. The group has an attractive product portfolio and a leading position in its chosen segment of the market. The group offers considerable attractions to a third party bidder, especially if market penetration could be accelerated by exposure to a more experienced procurement and distribution network.

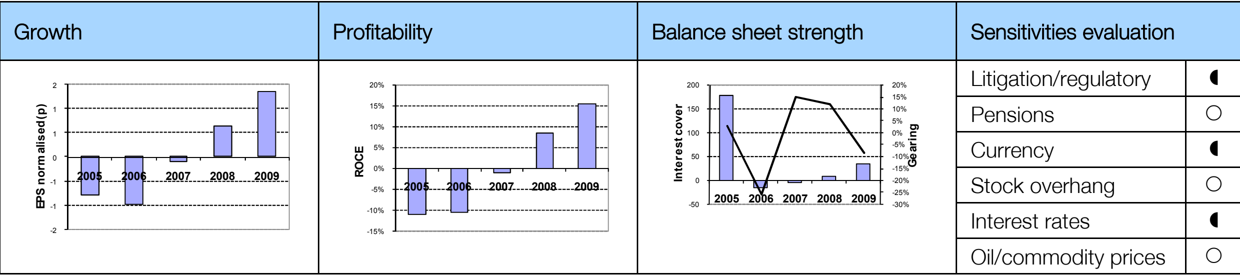
Neither the identity of the third party nor likely terms for such a bid were indicated. Dependent upon the size of the third party, it is quite possible that the uncertain stock market conditions may have contributed to the decision to withdraw. However, it would be wrong to speculate on the likelihood of a further approach in the immediate future.

Exhibit 4: Financials

30th April to 2005; then 31October	£'000s	2005	2006	2007	2008e	2009e
Accounting basis		UK GAAP	UK GAAP	UK GAAP	IFRS	IFRS
PROFIT & LOSS						
Revenue		1,768	2,651	5,684	10,000	12,000
Cost of Sales		(1,046)	(1,660)	(3,157)	(5,400)	(6,350)
Gross Profit		722	991	2,527	4,600	5,650
EBITDA		(677)	(838)	(35)	980	1,840
Operating Profit (before GW and except.)		(713)	(896)	(100)	900	1,750
Goodwill Amortisation		(347)	(521)	(347)	0	0
Exceptionals		0	0	(347)	0	0
Other		0	0	0	0	0
Operating Profit		(1,060)	(1,417)	(794)	900	1,750
Net Interest		4	(56)	(26)	(100)	(50)
Profit Before Tax (norm)		(709)	(952)	(126)	800	1,700
Profit Before Tax (FRS 3)		(1,056)	(1,473)	(820)	800	1,700
Tax		0	0	0	0	0
Profit After Tax (norm)		(709)	(952)	(126)	800	1,700
Profit After Tax (FRS3)		(1,056)	(1,473)	(820)	800	1,700
Average Number of Shares Outstanding (m)		89.9	95.9	127.4	126.9	126.9
EPS - normalised (p)		(0.79)	(0.99)	(0.10)	0.63	1.34
EPS - FRS 3 (p)		(1.17)	(1.54)	(0.64)	0.63	1.34
Gross Margin (%)		40.8%	37.4%	44.5%	46.0%	47.1%
EBITDA Margin (%)		(38.3%)	(31.6%)	(0.6%)	9.8%	15.3%
Operating Margin (before GW and except.) (%)		(40.3%)	(33.8%)	(1.8%)	9.0%	14.6%
BALANCE SHEET						
Fixed Assets		2,955	2,484	2,343	2,463	2,673
Intangible Assets		2,777	2,256	1,909	1,909	1,909
Tangible Assets		178	228	434	554	764
Investment in associates		0	0	0	0	0
Current Assets		702	2,349	3,269	4,509	5,877
Stocks		177	243	1,533	2,146	2,575
Debtors		346	851	1,568	2,195	2,634
Cash		179	1,255	168	168	667
Current Liabilities		(582)	(682)	(2,042)	(2,603)	(2,480)
Creditors		(567)	(616)	(1,460)	(2,025)	(2,420)
Short term borrowings		(15)	(66)	(582)	(578)	(60)
Long Term Liabilities		(235)	(152)	(98)	(98)	(98)
Long term borrowings		(235)	(152)	(98)	(98)	(98)
Other long term liabilities		0	0	0	0	0
Net Assets		2,840	3,999	3,472	4,272	5,972
CASH FLOW						
Operating Cash Flow		(718)	(1,360)	(1,508)	304	1,367
Net Interest		4	(56)	(26)	(100)	(50)
Tax		0	0	0	0	0
Capex		(30)	(96)	(243)	(200)	(300)
Acquisitions/disposals		0	0	0	0	0
Financing		610	2,632	228	0	0
Dividends		0	0	0	0	0
Net Cash Flow		(134)	1,120	(1,549)	4	1,017
Opening net debt/(cash)		(63)	71	(1,037)	512	508
HP finance leases initiated		0	(12)	0	0	0
Other		0	0	0	0	0
Closing net debt/(cash)		71	(1,037)	512	508	(509)

Source: Company accounts/Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	



Sensitivities evaluation	
Litigation/regulatory	◖
Pensions	○
Currency	◖
Stock overhang	○
Interest rates	◖
Oil/commodity prices	○

Growth metrics	%	Profitability metrics	%	Balance sheet metrics		Company details	
EPS CAGR 04-09e	N/A	ROCE 08e	8.6	Gearing 08e	11.9	Address:	
EPS CAGR 06-09e	N/A	Avg ROCE 05-09e	N/A	Interest cover 08e	9.0	Swift House, Cosford Lane Rugby, Warwickshire CV21 1QN	
EBITDA CAGR 04-09e	N/A	ROE 08e	18.7	CA/CL 08e	1.7		
EBITDA CAGR 06-09e	N/A	Gross margin 08e	46.0	Stock turn 08e	78.3	Phone	01788 547888
Sales CAGR 04-09e	46.7	Operating margin 08e	9.0	Debtor days 08e	81.1	Fax	01788 536434
Sales CAGR 06-09e	28.3	Gr mgn / Op mgn 08e	5.1	Creditor days 08e	72.2	www.mediwatch.com	

Principal shareholders	%
Philip Stimpson	13.4
Brewin Dolphin	11.1
Singer & Friedlander	8.1
Omer Karim	6.7
Barclays	6.0
Ashcourt Holdings	3.6
Other directors	2.6

Forthcoming announcements/catalysts	Date *
AGM	Mid May
Interim announcement	Mid July
Finals announcement	Early Feb
*Note: * = estimated*	

Management team
CEO: Philip Stimpson
Philip Stimpson is a qualified electronic engineer with more than 30 years' experience in the medical industry, working in both North America and Europe. He has already built up and successfully sold on two medical equipment manufacturing businesses.
FD: Colin Kunz
Colin Kunz has a degree in aeronautical engineering, is a qualified accountant and holds an MBA from Henley Management College. He joined the group in May 2007, bringing experience to the group gained in a number of sectors, including healthcare.
Chairman: Omer Karim
Omer Karim is a consultant urological surgeon at several hospitals, including St Mary's Paddington and has strong relationships in the US. He qualified in 1982, becoming a consultant in 1995 and is a founder non-executive director of Mediwatch, becoming chairman in April 2007.

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Bracton House, 34-36 High Holborn, London, WC1V 6AE ■ tel: +44 (0)20 7190 1760 ■ fax: +44 (0)20 7190 1759 ■ www.edisoninvestmentresearch.co.uk
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